



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Voluntary Report - public distribution

Date: 7/24/2003

GAIN Report Number: KS3038

Korea, Republic of

Market Development Reports

U.S. Agricultural Trade With South Korea: Observations and Trends

2003

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Report Highlights:

The United States' biggest agricultural export categories to South Korea are meat and animal products followed by oilseeds. The U.S. faces growing competition from China in some categories, but trends in Korean-Chinese agricultural trade tend to be erratic. China's market share is increasing faster than the U.S.' in several categories in which the U.S. has been strong.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Seoul [KS1]
[KS]

The United States' Biggest Agricultural Exports to Korea in 2002:

1. Chapter 2: Meat and Edible Meat Offal @ \$729,967,00. The US has seen 45% annualized growth while increasing market share by 10% over the past 4 years. Tariffs levied on meat products range from 18.2% to 32.5%. The progress made in the meat market could of course be undone quickly if the ongoing BSE negotiations don't reach a positive conclusion or if the Korean media decides to make a story of the situation.
2. Chapter 41: Raw Hides & Skins and Leather @ \$516,797,000. US exports to Korea have fallen slightly in this category over the past four years, but shrinkage doesn't appear to be due to Korea shifting its purchases to non-US sources. Market share remains well above 50%. Tariffs in this category are relatively low. They range from 2%-5%.
3. Chapter 12: Oilseeds & Oleaginous Fruits, etc...@ \$367,368,000. US exports to Korea have fallen in this category, but soybeans account for the majority of sales, so the fluctuation is probably due primarily to market fluctuations rather than diminished US competitiveness. US exports to Korea so far this year are up 46% over last year. Soybeans and Hay and Fodder are seeing particular strength. The in-quota tariff on soybeans for crushing is zero, and 5% for soybeans for food processing, but the quota limits imports. Despite the quota, the US might sell more soybeans to Korea if Korean importers didn't prefer to buy soybeans beyond the quota from China. Chinese exporters commonly list an invoice price much lower than the actual sales price, thus enabling the Korean importer to avoid paying the entire 492.4% out-of-quota tariff. The tariff on hay and fodder is 20%, and the tariffs on many other chapter 12 products range up to 46%.

China's Numbers:

China's top exports to Korea are fish and cereals. Corn, unsurprisingly, is by far their biggest export in the cereals category. In most categories, China's export growth to Korea mirrors general increased Korean imports. The same can be said of the US, but China's gains in market share often far exceed the US. The best example is Chapter 7: vegetables. Although US exports in this category this year have already far exceeded US exports for all of 2002, US market share has remained near 5% while China increased its share by 26% from 1998 to 2002. China's data seems a bit more variable from year to year than the United States.' China's poultry exports to Korea, for example, ranged from \$16,000 to \$10,243,000 in only three years. A similar—although less extreme—trend was displayed in rice and oilseeds.

Trends:

Chapter 3: Fish & Crustaceans, Mollusks & Other Aquatic Invertebrates.

US exports in this category have grown significantly in recent years, but the US has lost about 5% of its share of the market while China has gained approximately 4%. China's rate of export growth to Korea in this category appears to be significantly outpacing that of the US. So far in 2003, US exports are off 10% while China's have risen by 5%—although China's market share is less at the end of May this year than it was last year.

Chapter 5: Products of Animal Origin.

The US is seeing growth in this category and holds significant market share at about 30%. The biggest competitors to the US are China and New Zealand, although the US does not appear to compete directly with China. Our biggest line in this category is guts, bladders, and stomachs, while China primarily sells feathers and down.

Chapter 7: Edible Vegetables & Certain Roots and Tubers.

In general, China is killing us in this category. Chinese market share has risen from 48% in '98 to 73% in '02, while the US has maintained market share at less than 5%. Our best-performing line in this category is frozen vegetables, China, however has expanded frozen vege exports to Korea much more than has the US. Interestingly, Korean imports of onions, shallots, and garlic (line 0702) have jumped from \$147,000 in the first five months of 2002 to over ten-and-a-half million dollars over the same period in 2003. The US and China have garnered the majority of those sales. Despite its protectionism, Korea has in fact expanded vegetable imports significantly so far this year over '02.

Chapter 8: Edible Fruits & Nuts.

This category is growing very well for the US. US exports of other nuts, line 0802, have seen nearly 16% annual growth since 1998 and are up almost 24% in the first five months of 2003. (Korea's tariff on these nuts ranges from 8% on almonds to 50% on walnuts.) The strongest line in this category is citrus. US exports have grown by almost 30% annually since '98 and we dominate the market. Nearly all of Korea's citrus fruit imports are from the US. 2003 imports through May already exceeded 02's numbers by almost \$3.5 million. (Oranges face a 50% tariff.) Grapes (fresh and dried) have also seen nice growth, but face a 32% tariff. The US and Chile are the top sources of Korea's grape imports, but Chile leads the US by a wide margin.

Chapter 10: Cereals.

Wheat, corn, and rice were the biggest lines last year. A report from FAS Beijing said China is no longer subsidizing wheat exports, and Sparks is predicting greater domestic demand for wheat in China this year (mainly for feed) so that's good news for US wheat. FAS Beijing's report indicated the Chinese haven't shown any signs of discontinuing corn export subsidies, but Korea recently rejected tenders offered at prices higher than those seen from China in the past couple years.

Chapter 11: Products of the Milling Industry.

US market share has dropped from over 11% in 2000 to 1.9% in 2002. The category is relatively small, so shifts in quantity have an exaggerated effect on percentages. China has made progress in this area although they don't seem to be displacing US products. Starches are their biggest line, but the US hasn't sold large amounts of starch to Korea. The US has lost Cereal Grains (1104) exports to Australia and South Africa. Germany is also a strong competitor in Chapter 11 products.

Chapter 12: Oilseeds & Oleaginous Fruits; Misc. Grains, Seeds & Fruit; Industrial or Medicinal Plants; Straw and Fodder.

The US is enjoying a good upward trend in this category thanks to strong growth in Hay and Fodder exports which have increased from over \$12 million in 1998 to \$80 million in 2002. Our closest competitor is Canada.

Chapter 13: Lacs, Gums, Resins, & Other Vegetable Saps and Extracts.

The US has doubled market share and still leads, but China—our #2 competitor so far this year—has expanded its exports while the US's have fallen this year. Japan and Germany have held the numbers two and three spots until this year.

Chapter 15: Animal or Vege Fats & Oils.

Korean imports haven't increased dramatically in this category but the US' market share has been roughly halved since 1999. The following areas have seen decreases:

- Bovine Fats (1502): US is still #1 source, but Korea is importing less.
- Soybean Oil (1507): US is in #2 spot after being surpassed by Argentina.
- Fats & Oils Chemically (1518): Korean imports have been falling generally but increased sharply in 2002. The US has lost the #1 spot to Canada.

The US is, however, doing well in two areas:

- Despite lower imports of Sunflower Oil (1512), the US has doubled its exports to Korea, and moved into #1 so far in 2003. Australia is the closest competitor and has been #1 until now.
- Korean imports of margarine (1517) have more than doubled since '98, and the US has gained most of the market. US margarine market share has increased from 26% to almost 70% since 1998.

Chapter 16: Preparations of Meat, Fish, etc...

Despite this category's growth, US market share is falling. US exports have grown from \$11 million in 1998 to over \$20 million in 2002, but its market share fell from over 19% to under 11% over the same time period. China leads this category so far this year, and Vietnam and Thailand were on top in 2002.

Chapter 17: Sugars and Confectionery.

The US has increased its exports in this category but still only has limited market share. The US still leads its next closest competitor, China, but the Chinese are gaining steam. Chinese confectionary exports to Korea have risen from just \$2,293,000 in 1998 to over \$13 million in 2002, while the US has only increased sales to Korea from \$9,913,000 in 1998 to about \$14.5 million in 2002. Australia dominated this category with nearly \$119 million in sales in 2002 followed by Guatemala, Thailand, and the US, respectively.

Chapter 18: Cocoa & Cocoa Preparations.

The US is leading the Korean Chocolate market with \$32.5 million in exports followed by the Netherlands' sales of \$13.5 million. US chocolate exports have grown nicely from over \$15 million and 23.5% market share in 1998 to \$32.5 million and 33% market share in 2002. The tariff on cocoa products is 8%.

Chapter 19: Preparations of Cereals, Flour, Starch, Milk...

Bread (1905) is the US' biggest line in this category and we lead with 18% market share, but China is gaining ground rather quickly, and the domestic Korean baking industry is growing as evidenced by their growing exports of breads. The US exported over \$23 million worth of bread products to Korea in 2000, but saw that number reduced to over \$16 million by 2002. Meanwhile, China's bread exports to Korea since 2000 more than doubled. China could exceed the US as the #1 bread exporter to Korea as soon as next year if current trends continue. Belgium is the US' other main competitor in the bread category.

Chapter 20: Preparations of Vegetables, Fruit, etc...

The US leads this category and has maintained about 40% market share, but China is gaining market share. The US still leads by a large margin, but China has increased market share by over 6% since 1998 while the US lost about 7%.

Chapter 22: Beverages, Spirits, & Vinegar.

The UK dominates this category by a margin of over \$200 million with France, Brazil, and the US trailing behind. China is 5th.

Chapter 23: Residues & Wastes From the Food Industries; Prepared Animal Fodder.

India, the PRC, and Brazil have led the pack. The US has a good upward trend in animal feeds where it is leading. Korea's purchases of US soybean meal have fluctuated tremendously from year to year and appear to be on another up year in 2003.

Chapter 41: Raw Hides & Skins.

The US leads with well over 50% of the market, and China shows some strength. They passed Italy recently to reclaim the #2 spot, but still only 5% of the market.

Chapter 52: Cotton

The US has struggled against China, India, and Pakistan. In 2002 the three leaders cottons sales to Korea totaled nearly \$700 million while the US sold over \$120 million. US cotton hasn't been #1 in Korea since 1997.